

### **Economic Activity Triggered by Agricultural Trade**

Estimates of economic activity related to agricultural exports show that exports make an important contribution to the farm sector and to the U.S. economy as a whole (app. table 7). In 1997, the United States exported \$57.3 billion of agricultural products, down from \$60.4 billion in 1996. Exports have fallen again in 1998 and are expected to fall further to \$52 billion during fiscal year 1999 (according to an ERS forecast released in August 1998). The decline in dollar value of exports is due to falling prices for bulk commodities, large world supplies, weak global demand as a result of economic crisis in Asia, Russia, and Latin America, and a strong U.S. dollar.

Agricultural exports play an important role in the economy, supporting jobs on farms, in food processing, other manufacturing plants, and in the transportation and trade sectors. Agricultural exports generated an estimated 871,000 jobs in 1997, of which 292,000 were on farms. The impact of agricultural exports on the U.S. economy is far-reaching. Every dollar of exports generated an additional \$1.28 in economic activity in supporting sectors.

Imports of agricultural products were worth \$36.3 billion in 1997, up from \$33.6 billion in 1996. ERS forecasts a further rise in imports to \$39.5 billion in 1999. Since agricultural exports exceeded imports, the United States had a positive trade balance in agricultural products of \$21 billion in 1997. The positive agricultural trade balance will shrink in 1998 and 1999, as exports fall and imports rise. About \$9.4 billion of imports were such commodities as bananas, coffee, and tea that do not compete with U.S. products. The remaining \$26.9 billion is composed of imports, such as meat, dairy products, fruits, nuts, vegetables, sugar, and wines that compete with U.S. products.

Processed agricultural products more extensively benefit the U.S. economy than exports of bulk unprocessed commodities. Nonbulk products account for most of the economic activity generated by agricultural exports. In 1997, they accounted for 591,000 of the 871,000 jobs attributed to agricultural exports. Each dollar of nonbulk agricultural exports (fresh fruits and vegetables and "value-added" processed products) generated an additional \$1.57 in supporting activity, compared with \$0.81 for each dollar of bulk exports (grains, oilseeds, and cotton). Every \$1 billion of nonbulk exports supported 16,700 U.S. jobs, compared with 12,700 for bulk exports in 1997. [William Edmondson, 202-694-5374, [wedmonds@econ.ag.gov](mailto:wedmonds@econ.ag.gov)]